

Excerpts

Beth Comstock, CMO, GE

On Tension Between Being Process Centric and Accepting Messiness That Comes From

Innovation: I actually think that tension is good. It's frustrating, no one likes it, but it's healthy and if you have no tension, I think maybe you don't have passion.

On Knowing Your Customers: I think marketers' next hurdle is a knowledge management one. One where we have to figure out how to start to harness the data that exists, so that you know your customer better than they know themselves and that you can understand and intuit and feed them data back that's going to make them even smarter.

On Getting Customers Involved in Innovation:

We found that if you peer too far out in the future with your customers it's just hard to make it real and if you're too close, it's just too tactical.

On the New Marketing Skillset: I think it's some of those softer skills we're focusing on and going really heavy in digital capabilities, community building and building networks as partners. Those tend to be the skills, the harder skills that we're focusing on.

On Developing New Ideas Internally: I think it is hard to incubate something inside a traditional operating company because all the systems are organized to leverage the cost and leverage the intellectual property. There are some really good things in that, but I do think it's hard. I think – and we've found this time and again, when you incubate within the sort of normal operating rhythm of the company, you start to go to near-term metrics, you start to operationalize when maybe those are the wrong things.

On Control: That leads to the last thing we're focused a lot on. It just sounds so silly, but it's this idea of letting go. Your customers have a lot more access to things that you don't have control over and you're never going to get that control back, so how do you make it work for you? How do you use your customers as your extended sales force?

On Who Owns Innovation: We've spent a lot of time trying to make sure that people understand that innovation is everyone's job.

On Trying Things Out: We sort of have a little skunkworks team and it's made up of marketers from across different businesses and we were calling them our rogue marketers and we've asked them to come up with a set of rogue marketing tactics that need to be part of everybody's toolkit.

Full Transcript

Beth Comstock, CMO, GE

The following is an edited transcript of the CMO 2.0 Conversation between Beeline Labs' Francois Gossieaux and GE's Beth Comstock.

Francois: My guest today is Beth Comstock. She is the Global CMO at GE and she has been through a lot of transitions at GE over the years. Right, Beth?

Beth: I sure have.

Francois: Thank you so much for making the time to speak with me.

Beth, I thought maybe as a start it would be good for you to give some context. You've been at GE for a long time, you've seen massive changes, I'm sure, during your tenure there, you've also been in a central position, and then you moved into an operating company and back into a central marketing position. Can you tell us a bit about what this was like and how did you see the role of marketing change over the years?

Beth: : Yeah. Thanks, Francois. It's a really good question you're asking. A couple of thoughts just to get started: one, GE is a multi-business company focused very much on technology and manufacturing.

And so, we hadn't – as a rule we hadn't invested so much in marketing certainly in this decade. So, one of the things we did in the early 2000's was to say, "Hey, we need – if we're going to grow more, we're going to need more marketing people in the company."

We had largely, up to that point, defined marketing as sales support, marketing in a communications' capacity. And those are

important roles, but we needed marketing to do a lot more, to step up and help drive organic growth was the focus.

So, in about 2003 we said we're going to make a big investment in the company in marketing in a couple ways: one, we're going to bring in people who have expertise, we're going to train internal people to be more marketing savvy and we're going to invest in training programs meaning we went out and hired a bunch of MBA graduates, and have an ongoing program to fill a pipeline with great strategic marketers.

So, that was important in 2003 and I think one of the best things we did was to say, "Hey, we have to have some kind of – one, an initiative, some way to pull these pieces together and ensure that we're getting the growth we need and ensure that marketers play a role not only in driving sales, but in driving innovation."

So we set up an innovation pipeline, which I think you want to talk about at some point, but it was a way to start to hang a definition of "This is what we want marketing to do."

A couple years ago they shipped me off to NBC for a couple of years to work in an innovative space. And I went to work for NBC Universal on a new white space, which is digital media. I have to say it was a great assignment. I did some traditional things; I oversaw the traditional advertising and marketing and sales, but the digital media was new – I didn't come to it from a technology background, but I came to it as a marketer.

And there were so many times in that job I'd say, 'Gosh, if I were in my old job at GE, wow, I'd really think things differently now

understanding this digital – the digital technology and the way the digital world’s evolving.”

So I think that’s the privilege I have now is to bring some of that – those experiences and apply it. I feel like I’m looking at the job very differently now and certainly with a slower-growth world, with the economy that we’re in, we’re having a much different challenge for our sales and marketing teams than we did back in 2003. So, it has been an interesting ride and a lot of learning.

Francois: Very cool. Yeah, I definitely want to go and talk about innovation at some point, but before doing that I want to stay on the differences between marketing in strong operating companies versus doing marketing at a central level.

You know, you guys are in so many different businesses: you’re in healthcare, you’re in media and entertainment, you’re in finance, and you’re in aerospace. I mean, a lot of those don’t seem like they have much in common, but yet in talking with some of the people at GE in prep for this call, I do understand that you’ve been able to find an ability to build platforms across the difference business units.

And when I say platform I don’t just mean product platforms, but also if you could talk a little bit about opportunities to build the brand platform, customer platforms, channel platforms, which cross all the business units. I think that would be really interesting.

Beth: Sure. And that very much is what we think our calling is being the central marketing. We actually call it the central commercial team, so we get involved in directing sales teams as well. So, for us centrally we’ve pulled together sales, marketing and communications.

And at the central level what can you do? I mean, one it’s clearly there’s a brand mission because especially when your company as broad and diverse as pointed out as GE, we all go to

market – except for NBC, we all go to market with the GE logo. So, that’s clearly one big calling that you need a central group to do.

We do a lot of cross-selling, so having strategic accounts and trying to connect the dots around the customer. So, how do you bring together finance and aviation and even, in some cases, NBC? So, that’s another cross-function, cross-business opportunity that we have.

And when you’re a central function you end up spending a lot of time on functional development. So, making sure that you’re training, that you’re hiring, that you have all the great capabilities in your marketing and sales and communications teams, so that’s a lot of what we do.

What I’m most passionate about is that we drive some central initiatives. And so, innovation has been one of them and I think I’m probably most proud of what we’ve been able to work on in commercial innovation and that is exactly what you said: it’s creating a new platform.

So, we did this back in 2005 with what we launched as Ecomagination. It was our clean technology fuel – you know, energy efficiency platform and at first it was a way to package who we are and be more clear to our customers. Then it became a platform for investment and a platform for R&D.

It’s a platform for business development and it’s basically a shadow P&L, if you will, across the company. We’ve targeted about \$25 billion of revenue over a period of time that it’s going to generate.

And when we started it you could see where our energy business might be involved, maybe our aviation business, our water, but it’s really now consumed the company in such an exciting way. We’ve got teams at healthcare that are launching eco hospitals, we’ve got a real estate division that’s doing a lot with eco certification and it’s just defined the company in a way that certainly we never anticipated, but it’s been

very exciting.

So, I'm a big believer in, one, commercial innovation and, two, a need for central functions to add that kind of value because that's what you do in the center. You have access to trends and you see things across businesses. So, as you said, it's a lot of disparate businesses, how do they make sense? You start to see things.

You know, there are trends that are happening at NBC, with their customers, that are sometimes very relevant with another business and you start to put those dots together and that's what led us to the Ecomagination effort. We saw too many businesses coming in saying, "We've got to develop more clean tech solutions. Our customers want it; they don't want to go broke doing it, so we've got to figure it out." And after you hear three businesses saying that, you think we're onto something.

Right now we're incubating our next kind of big cross-company commercial platform and that's going to be focused around healthcare and we're going to launch that later in the year and I'm very excited about that as well.

But again, once you start pulling the pieces together it's amazing what new space opens up. So, that's the way we look at it.

Francois: Now, what kind of processes did you need to put in place in order to foster cross-business unit innovation like that? I say that because by definition innovation is much more chaotic, much more messy. GE comes from a very process-centric background. There must have been some tension there in order to make something work that accommodates both.

Beth: Sure. And I actually think that tension is good. It's frustrating, no one likes it, but it's healthy and if you have no tension, I think maybe you don't have passion.

So, the couple things we've done, some of it's just GE operating system that has worked in

other parts and we were able to copy, but we're big on creating councils at GE and I would say they are action councils; it's not just people getting together and sharing ideas, which we do, but it's very specifically with an agenda and let's create some shared momentum around that.

So, we've got a marketing council where all of our CMOs from across the businesses get together once a quarter. I would say one of the most effective efforts we set up was what we call our commercial council, which is chaired by Jeff Immelt. The commercial council is about five years old. It's made up of the top marketing, sales, a handful of business leaders and a couple of vice chairmen. We get together every month and we have definitive assignments and we go through real specific areas of innovation, areas of opportunity. So, it tends to be a lot of cross-selling, a lot of innovation, but people have assignments.

I'll give you an example. We signed on as a sponsor for the Olympics. For a company like ours what's in it for GE? You can understand if you're going to have pouring rights for Coke or you want to use your credit if you're Visa. And we really thought we saw there was an opportunity to use the Olympics to package ourselves differently.

So, we had our eye on Beijing and we used this commercial council to create a team that was a cross-selling team, saying how do we build stadiums better? How do we – in Beijing, how do we get the healthcare systems built around the Olympics? How do we do clean water? How do we – everything from light bulbs to energy turbines.

We use these councils as a way to assign a target. We said we're going to go after our target which, I think was \$500 million in sales in and around the Beijing Olympics over four years. We exceeded that target, but you needed this council, this group of people who come in and Jeff says, "You've got to target, you got to work together to get it and I'm making you

accountable.”

So, I think that’s what worked for us is, one, just getting people together, learning from each other, but also holding them accountable and saying, “You’ve got targets you have to go after.”

Francois: Yes, now do you have ways for innovation to bubble from the bottom up?

Beth: Yeah, we do. So, I’ll talk about our innovation effort. Similar to these – you know, it’s an initiative across the company. We kicked this off in about 2003 as well, we kicked off what we called an Imagination Breakthrough Process and, frankly, it was just simple. It’s not easy to do, but it was simple. It was just a way to create a protected class of ideas and it could be technology, it could be commercial innovation.

So, we were very clear they didn’t all have to originate in the R&D lab and we were very specific in saying this isn’t just a new product for your core; we want these to be getting you into adjacent markets, getting you into adjacent business models or, in a few selected cases, we want you to think really big and go into totally new spaces.

So we found the need for an initiative that you would drive across GE, meaning every GE business had to participate; every GE business had to have a pipeline of ideas that they were incubating and developing. And so, we set that up and I think that’s worked pretty well for us. And the businesses have very independently come up with different models of what works in terms of how you get that grassroots support.

I think most of our businesses have gravitated to a – sort of a growth board process, almost like a group of venture capitalists where every month an operating group says, “How are the projects doing? Fund/not fund.”

And to do that, most of our businesses have had to have some kind of idea generation process,

so that anyone who has an idea knows where to take it and there’s a formal vetting and there’s a team that puts a business plan together. So, I think that most of our businesses now have those processes in place.

For us what’s interesting, it wasn’t the ideas that were the challenge, it was the resources. It was keeping things focused. We had too many ideas. That wasn’t our challenge; it was how do we actually pick the right ones and how do we get them done? How do we get them over the finish line? So, that’s where we ended up finding more of our time was spent.

Francois: It’s interesting. You know, oftentimes companies have a bigger challenge with killing ideas faster than they do in generating ideas.

Beth: Yes.

Francois: You know, keeping too many ideas under-funded for too long is just as bad as not having enough of them. You need to kill them way up front.

So, is the process by which ideas get vetted and by which they get funded and all that, is that very similar across all business units?

Beth: I mean, it’s similar to say that they all have a process and they’re generally the same. There are certain things that we expect companywide. Everybody has a portfolio. We’ve come up with a templates approach for us. It’s very much we look at box one, box two, and box three, in terms of how we define it.

Where we worked really hard was to say what kind of metrics goes in each box. Some of our early learning’s were that many times, especially in some of the real operationally-focused businesses, they were holding some very out-there ideas to box one expectations. Meaning, things like, “What’s your out profit next year?” And you’re like, “I don’t even know if I have a business model next year. I’m trying to validate the market exists, trying to test a few business models and maybe get a pilot customer. That’s

the benchmark I need. I can't tell you what my out profit's going to be."

So, those were some of the early, early debates that we had and, you know, that's kind of how we looked at it. So, there's certain key metrics that everyone has to adhere to. Everyone has to have a portfolio, we have a series of reviews across the company, some that involve our Chairman, but most of them involve the Head of Technology, our Research Head and myself.

So, those kinds of things every business has to participate in and then the businesses are very creative in how they do it. But generally they fall into similar buckets. You know, they may call them different things, they may incorporate just a leadership team or they may have a broader team.

Some of our businesses have been very successful. We created centrally an imagination market. We worked with our global research lab and basically, it's just an online tool where you can have the collective employees basically fund what they think are – in a stock market kind of environment, what they think are the best ideas. Those have been really fun ways to engage all of the people in making the decision and really kind of doing the whole – you know, with some of the crowd's methodology at the same time.

Francois: And how does that tie in with your form of vetting, your VC-like process? I mean, do the best ideas then automatically get put in front of that board and who decides on funding it?

Beth: Yes, yes. That's the way it works that generally you would – I mean, there are a number of ways you would look at them. You wouldn't depend just on that innovation market, that imagination market. But it's an interesting exercise because sometimes there's a lot of knowledge in your company and if you just have one small group then maybe it's the same people always looking at everything, and you can't challenge yourself. So, yeah, you

would use that as a vetting process. Maybe you'd use it just as a validation process.

The other thing we've done, and we're doing this more now, is we've brought in innovation coaches and this has been very helpful. And we do it across the company and then we have coaches very deep into a certain business or a certain area.

One of our most successful coaches is Vijay Govindarajan who's out of Dartmouth. He's at the Tuck School. He is a Professor of Innovation and we hired him as our kind of innovator, academic-in-residence and he has helped us, one, coach different teams when they're struggling or when they're starting out, asking the right questions. We even involve him in sort of troubleshooting and then there's a certain amount of innovation that Jeff Immelt oversees. And so he gets involved in those.

That's been very successful. Now we're expanding it. We're starting to get different kinds of coaches, innovation experts like an IDEO, different kinds of people who bring different perspectives into the mix. That's been very effective to help us – there your problem you're trying to fight is too inwardly focused; you need an outside view, someone who can rise above to help you think through things.

Francois: Now, through that marketplace or through that more formal VC vetting process for innovation, do you also look at teams that are going to be in charge of taking that innovation to the next level or can they self-form?

Beth: Sure. So, that would be part of the process. So, basically there's an idea that you think has some promise; you know, all the kinds of questions, market analysis you'd expect then there's generally a team that's assigned to it that does a business plan. And assuming that it passes and it looks like a legitimate business plan, they make a decision to fund or not fund and part of that are, what are the resources?

I would say one of the lessons learned is

originally we just sort of tracked money and revenue projections, and basic market trends, sort of investment money. But it was really clear that we needed to track resources in terms of people commitment and what were the people doing besides this?

So, many times you'd find – you know, you mentioned earlier one of the problems is under-funding. You know, you have five projects and you really only have money for three, but you want to do all five so they all starve?

We found it was really that with intact and the right teams and the right level of commitment. So, pretty quickly we started to drill down and this would be another thing the sort of VC boards look at: Who's running it? Do they have the kind of capability? Do you have enough people? And what all – and is this their full-time job or is this like their third job? As a way of, one, testing the commitment of the leadership to this idea, but two, the success and viability that this project's going to be seen through it.

I can remember one instance – we do a monthly set of review, Jeff Immelt does, on a certain number of these ideas in the pipeline because they're usually cross-company ideas or they're big bets and he wants some visibility and also to make some funding commitments.

But I remember we had a team that came in and they – I think they might have had five people on the team and they needed 15. And Jeff said, "Okay, look. You go back to your business leader and you tell him that until you have 15 people doing this, I think you're not serious about this and I think you're wasting your money."

So, those kinds of messages have been very important; I would say even maybe more important than sometimes the just dollar funding because if you don't have the right people and the right commitment, it's not worth it.

Francois: Now, in your online imagination marketplace, do you have dynamics whereby

teams are forming online? Something that we've done, we do a study with Deloitte every year where we look at how companies are leveraging communities and social media and stuff like that as part of their business. And in one case we looked at – I don't know if you're familiar with the iPrize process at Cisco.

Beth: Yes, I am.

Francois: It was fascinating to hear how teams would form on line as the business plans would go from quarter finals to half semi-finals, et cetera. I think it was, like, half of the teams that formed by the semi-finals were people that had never met outside of the online environment.

Beth: That's a great idea. We haven't taken it to that level yet, but I certainly hope we do and one of the things we're trying to do right now is much more what you mentioned, sort of creating the opportunity for these communities of interest.

We're calling them communities of interest, but we're giving them the right tools and a way to find each other and sort of incubate. We've just started that process. We're not as far along as the example you just mentioned, but I love that as a concept and I hope, if we talk a year from now, I can give you some examples of how we're doing that.

Francois: They had some fascinating dynamics happening in that online environment, for example, they had folks forming to vote and blog on certain ideas and then they had other people get together and send reports to Cisco saying, "This blog vote is illegal. It shouldn't have happened. They are all friends and family and look at their IP address" – I mean, it's a fascinating story when you listen.

Beth: Yeah, that is interesting.

Francois: So, we talked a lot about how you have ideas bubble up and how imagination happens within the company. And you touched a little bit on the external coaches, which are

bringing, obviously, some outside perspective into the process. But do you have any other process whereby you bring in customer insights into those imagination processes?

Beth: Oh, we sure do. I would say pretty much every one of our businesses has processes. I'd say on a more formalized process across the company we do what we call discovery sessions with customers. We have a whole research lab that's set up to bring customers to incubate and innovate and brainstorm together.

What we try to do at our research lab is to bring different functions together along with the customer so it's not just the technology team, you'll have marketing, you'll have different parts of the business that get together—the operating team, engineering—to work with the customer. That's worked out quite well.

The discovery sessions we do, I think, are invaluable and what we found is we want to peer out, five-plus years with our customers to sort of paint the picture of what might be needed, what investments, what kind of products they're looking for. We found that if you peer too far out in the future with your customers it's just hard to make it real and if you're too close, it's just too tactical. We've even had luck in bringing competitive customers together, but if we peer out far enough, so looking at areas around clean tech and clean energy, we've brought competing customers together because it was important that we get some industry alignment. Is it going to be wind; is it going to be clean coal? If we're going to make these investments what do you think the opportunities are going to be here? So, those are the kind of things we've done at trend macro levels and then we go, very deep and we have, as I said, this lab where we bring customers and cross-functional teams together.

Francois: Now, sometimes if you have innovation happen from within or with customers, it leads to a kind of incremental innovations; it's not the breakthrough

innovations as you sometimes find at the edges or at the intersection of different disciplines.

How do you foster that kind of innovation at the intersections of disciplines, which are the ones that oftentimes lead to breakthrough innovations?

Beth: It is a challenge. I think there are a couple of things to talk about here. We've always had innovation in our company but when we started looking at different kinds of innovation, it didn't just have to come out of the lab; it could be commercial innovation or it could be cross-business innovation.

When we first started looking at that, I guess I was maybe a bit academic in the perspective feeling like there should be no impediment; it's resources and focus.

I think it is hard to incubate something inside a traditional operating company because all the systems are organized to leverage the cost and leverage the intellectual property. There are some really good things in that, but I do think it's hard. I think – and we've found this time and again, when you incubate within the sort of normal operating rhythm of the company, you start to go to near-term metrics, you start to operationalize when maybe those are the wrong things.

Sure you need goals, you need toll gates even if your idea is 15 years ahead and that's what you've got to understand, but they're different. And I think sometimes just the operating rhythm of the business challenges that and it makes it hard to incubate.

It is especially hard when it is as you mentioned, the cross-functional. Where I've seen the best work we've done largely is picking a group of people who have different levels of expertise and creating sort of a walled-off unit. I mean, it can still be in the same building, but that they're seen as discrete.

Many times for us we've done that through

partnerships, so a good example would be one of our aviation businesses. They were sort of incubating a new kind of small jet engine to go on smaller, very light jets. Pretty quickly in the opportunity they walled themselves off, but they realized they couldn't do it all their own. So, they understood Honda was working on a small engine and we've done a joint venture partnership.

And so it is GE Honda and they are a separate entity and they sort of are able to take the best from both companies, but also kind of create the new energy that they need and the new focus they need.

I was fortunate to work at NBC in the start-up and development of Hulu which is another great example of NBC getting together with Fox and creating a sort of new child together. Hulu was very separate and it was very successful, I think, because we had the ability to tap into the mother ship for the key things, but not to have to take the legacy issues that come with it.

Francois: That's very interesting. Now, you talked earlier about boxes in which you put the different types of innovations. Do they all have the same kind of gates to go through as you're deciding on funding them?

Beth: Yes, there is a central process. I mean, again, businesses may give it a different name, but everyone has a pretty standard set of toll gates that everyone has to go through and we use the same framework of box one, box two, box three. Every business has to align their portfolio that way. What we did is we said in our framework it's product or space or market versus business model. And for us it was really important to get our people to think about business model innovation.

So what we ask every business is to align what's in their pipeline, basically it's a one-page nine-block chart and it maps space versus business model. What we're looking for is some kind of healthy distribution, so when the new product introductions in the core, you'd think that would

be about 50% of what people are investing their resources in.

In the adjacent market we have a general guideline that says about 35-40% of your resources should be focused here and then about 10-15% in that sort of new space, kind of box three, you know, very new business model, very new product or space.

So, it's not an exact science. We don't measure everybody to the nth – it's probably the only thing we don't measure to the nth degree, but it's a general set of guidelines. I think almost all of our businesses are using that nine-blocker to sort of plot their innovations and their pipeline and are generally using it as a guideline for resource deployment.

Francois: Now, I'm sure that in some cases you have proposals for innovation that are really, really good, but they just don't have a big enough addressable market for a company like GE to make a difference.

What happens with some of those innovations? Do they die or do you find ways to kind of spin them out or resell them?

Beth: Yeah, that's an excellent question. I would say that's one of our biggest challenges. You know, when we set up our Imagination Breakthrough effort, we originally said, "We want these to target \$50 to \$100 million of incremental revenue and in three to five years." It was just a way to get started; some are much bigger than that.

That just felt to us like a good kind of scale that would make it worthwhile. And so, there are those kind of general guidelines, but some things, they're not going to be there for a while and you have to have them – they have to have room to breathe and incubate. But you're right, maybe unfortunately it's sometimes they're just ideas that just aren't worth the investment and the resources needed because they don't match up. If you're looking at something that's going to generate \$25 million versus \$100 million, it's a

pretty easy discussion.

Where we found success is in trying to aggregate some of those smaller ideas around a platform and that's worked out quite well for us. So, if you look at Ecomagination as a platform, there are a number of small, clean tech innovations or commercial opportunities in there that are on their own, but now that they're attached to a larger effort they can be scaled a lot more quickly.

So, that's worked for us. But, yes, we cut things that probably a small start-up company would not cut. And what it's increasingly leading us to do and you're going to hear me say a lot about partnerships, but increasingly it's leading us to partnerships with companies that are really good at that.

We're good at the scale part and they're good at sort of seeing some of those smaller ideas through to a good place where then we can help them scale. Those tend to be really good alignments for us.

Francois: Yeah, I can see, possibly the formation of some kind of marketplace for some of those ideas, especially if you have enough of them,

Beth: Exactly, and that's exactly how we're looking at some of our new opportunities in the clean tech space. You know, maybe the benefit we bring is nothing more than a channel or the ability to scale it in a way that the tech company can't.

Francois: Now, you've talked a little bit about how you measure progress and success. How do you decide or how do you deal when you have failures?

Beth: That's another big issue especially with the Imagination Breakthrough effort, because they get a lot of scrutiny. Jeff Immelt does it, he talks to the analysts about it, and their business leaders and the vice-chairmen all have a certain degree of involvement. So, no one wants to sign up and say that, "Oh, I failed." You know, it's

hard to raise your hand.

A couple of things: I'd say over the past 12 months we've been spending a lot of time being more focused just because you have to, right? In this environment what we're trying to fight for is you have to have a pipeline, you have to. You've got to make your numbers in 2009, but you also have to make them in 2012. So, how are you going to get there?

So, that's been a very focused effort to make sure that our pipelines are still there. Now, they aren't as full, but they are there and they're important. And I think it's actually been a good discipline to sort of force us to really say, "How do we feel about some of these?" And I think that making those tough calls is not easy. And, frankly, this kind of economy is helping us be a lot better at making some of those decisions.

Francois: Now, you've had an innovation culture all along, but the innovation process and the innovation culture has changed over the years. And speed is important and all of that. Have you had to change the culture of the company in order to accommodate the changes that you've gone through with your innovation processes?

Beth: Yeah, we sure have. I think a couple things: one, and I've mentioned this a couple times, this notion of commercial innovation. So, you don't necessarily just have to be an engineer or in the R&D labs to innovate. So, I think that concept that innovation has a couple of different dimensions and business model innovation, those are things we've emphasized.

And I'd say we've spent a lot of time trying to make sure that people understand that innovation is everyone's job. I think where we've been most successful is using some of GE's core tools and one would be our training and development at our Crotonville Learning Institute.

A couple years ago we created a program that's called "Learning, Innovation and Growth"—LIG

for short—and what’s so good about LIG is it gives innovation tools to leadership teams. So, we’ll have an intact team, say it’s the CEO of the business and their key folks, they come together and they’ll use this to build their growth strategy or to focus on a particular series of new products or markets they want to go after.

And then we’ve got outsiders and insiders who sort of have them think through the tools. And then culturally what we do is we have an assessment test where we ask people to individually rate themselves on risk taking, focus, clear thinking, some key traits. The individuals rate themselves and then the team on these traits.

So, you might come out and say, “The team is not very imaginative, so maybe we’re going to need some outside help in pushing ourselves to differentiate or to a newer space.” I think that has been the most effective thing we’ve done. We’ve really quickly moved it into the culture by bringing intact teams together, giving them tools and diagnostics so that they understand, “Oh, this is what you mean by being innovative. Oh, this is what you mean by risk-taking and courage.” That’s been very helpful for us.

Francois: In preparing for this interview, I spoke with some people on your team and they were talking to me about the product platform that you’re building across all businesses in battery space. Is that something you can talk and explain what that’s about?

Beth: Well that would speak to the heart of what we’re trying to do from our Imagination Breakthrough effort, especially at the central level, we’ve got to incubate cross-business innovation. So batteries is a great space where we’ve got some good technology; we’ve got partnerships and it’s sort of borne out of technology with our hybrid locomotives built on a sodium technology battery.

Suddenly, you start to say, “Well, hybrid locomotives aren’t the only ones that need batteries.” We need it as power backup for

some of our energy clients; there are battery needs for aviation in terms of powering jet engines and other things on aircrafts and on planes. You start to say, “Hey, this might take us into other space such as auto.” That led us to do an investment in a battery company that we’re now incubating the technology together; it’s a different technology.

So, it’s allowed us to think much more broadly and see a much bigger opportunity than if we had just looked at what we needed to do to build a locomotive capability. We’re doing a similar process right now with Smart Grid. The Smart Grid is a lot out of our energy business: it’s smart metering; it’s basically much more efficient transmission of electricity. The system was built in 1890 and it’s still much alive today and we have all kinds of technology that needs different kinds of power.

So, Smart Grid for us, it’s an energy need for our utility clients. It also starts to affect our sensing business. Even our appliances’ business is developing a lot of smart appliances that are going to tap into the grid in a different way. So, if you just looked at it as an energy possibility, you wouldn’t nearly go after what could be. So, we’re having some success by taking a much broader company view in big areas.

Another space and this is a commercial innovation, we said we want to provide better solutions in the mining industry and so we set up a cross-company effort that pulls together five different businesses to better serve mining partners.

So, it’s technology and it’s how we sell and those cross-business ones and we just have a real rhythm to make sure that on a – often on a quarterly basis, what do you benchmark? What are your toll gates? How are you tracking? And so we’ve put some rigor behind that as well.

Francois: That’s fascinating. So, you’re now going to start to have privacy issues in the metering business too at some point.

Beth: Oh, well, we'll let those guys take care of that. One of the things we're –focusing on is trying to do much more consumer awareness because what's exciting is it puts the utilities and the consumer on sort of the same side in terms of better, more efficient use and, you can choose to do your laundry at the right time of night so you're electricity will be cheaper. So, there are some really good benefits that come out of that.

Francois: But the company that is providing electricity will now also know a whole lot more about the customers.

Beth: Yeah. Well the utilities will for sure, as the ones who provide it but a lot of opportunity and I think, if done well, a lot of good consumer benefits.

Francois: Oh, I totally agree. I find it interesting that some of the issues that we're familiar with in certain spaces are now making it into spaces that nobody would have thought about it say ten years ago.

Beth: Yeah, absolutely.

Francois: So, I want to move back a little bit to more general marketing and get your sense for the changes that are happening and how you deal with that.

You know, in this marketplace I think you must see it too across all your businesses, lets say with social media and all that. Your customers have increasingly a larger share of voice in the marketplace and they increasingly base their buying decisions on information that doesn't necessarily come from the company, but that comes from peers and friends and all of that.

Have you seen that in your business and how do you do you market differently in the face of that change?

Beth: In the face of the change in terms...

Francois: In the face of the change where the customer is increasingly making buying

decisions based on information that they get from friends and peers as opposed to information that comes from the company.

Beth: Exactly. I mean, there's just so many changes being led by just behavior changes; a lot of it's driven obviously by, digital technologies. And when you look at GE, one thing that is interesting is we are a kind of interesting marketing laboratory. We have businesses where we have huge sales to a small group of customers – think of aircraft engines – it's a pretty small group of customers and they're buying big, big expensive jet engines, to our consumer finance business where we have millions of customers, and a lot of transactions.

And so, what we're finding is they may have very different needs, but the level of technology seems to be a differentiator for us and I would say what they all share is the ability to better harvest information. I think that is where we're going to succeed.

I think marketers' next hurdle is this kind of knowledge management one. One where we have to figure out how do you start to harness the data that exists, so that you know your customer better than they know themselves and that you can understand and intuit and feed them data back that's going to make them even smarter. There are some things we do now in healthcare and in aviation, remote monitoring of engines or remote monitoring of healthcare.

So, I think it's an opportunity for marketers to say, "How do we then increase that knowledge and help our customers make smart decisions and help them go after their performance." So, I think that's the way we're seeing customers starting to change, that they have more of an appetite for data and we have access to more data connected to what we offer. And so, how do we create the experience? How do we put it together in a way that's seamless? That tends to be where our marketers are spending a lot of time.

Francois: Now, I like this concept that you're

talking about providing customers with data that makes them smarter. In this day and age, the conversations that are happening between your customers are in some cases, more important than the conversations that you are having with your customer.

Beth: Exactly.

Francois: And so, how do you inject branded content into those conversations that are happening between those customers?

Beth: That's a great question and, again, given the variety of different businesses, I'm going to use the healthcare business because I think it's a really interesting one. I mean, there's lot of conversations. There are all sorts of websites now where doctors can talk to one another.

It is our belief that they don't necessarily want to see GE in the middle of their conversation, but if GE can play a role in convening a kind of conversation, if we can be the enabler, if we can create the right kind of tools that makes that conversation between physicians richer, gives them something to work with, we think that's the role we can play.

I don't think content is going to be the answer. In some cases it will. I mean, we've done some interesting things with some customers where we've aggregated content and it's kind of brought to you by GE, but I think for us to be effective, it's much more enabling and I think for us, mostly it's going to be tools-driven, maybe tools as content for the kind of businesses that we're involved in.

Francois: Very interesting. Now, I think you touched a little bit on this in the beginning, but in regards to staffing up your marketing team, do you see the need for new types of people in marketing and do you see, perhaps, also new career paths in marketing?

Beth: I sure do. I mean, we're sort of on this tear right now about what we're calling new world skills. Sort of what do we need, how are

we going to get it? And there's a whole bunch of things that we've put in there. I mean, the big one is just digital capabilities and understanding how we move more quickly.

I would say two others that are kind of non-technology-related is this notion of simplicity, of trying to, if you will, curate an experience for a customer, help them sort of take away all the extraneous and deliver what's most valuable. That is so hard and marketers want to put everything in and I think our new challenge is, how do you focus and simplify? And that is hard for marketers.

And I think the other thing we talk a lot about is just this notion of sort of – well, there's two others: networks, communities and understanding how do you better mine those for insights? How do you better create more participatory marketing?

And I think that leads to the last thing we're focused a lot on. It just sounds so silly, but it's this idea of letting go. I feel like I really learned this at my NBC experience. Your customers have a lot more access to things that you don't have control over and you're never going to get that control back, so how do you make it work for you? How do you use your customers as your extended sales force?

People talk about it, but really how do you do that? How do you use your employees to do that, to be sales reps? And – so those are the things we're starting to think about. I think a lot of where our traditional marketing skills are, they're great – I mean, you still have the same kind of process, but maybe how we execute now is so different. So, it's not enough to just do an ad and it's not even enough anymore to say, "I'm going to build a community." Well, you probably aren't going to build a community, but where are communities happening where you can add some value, where you can take some learning?

And so, it's just kind of orienting marketing people's brains around some of the new world

skills, the new world order, much more digitally savvy, much more flexible and nimble. It's not necessarily the old formula and even the mix that you have to go through.

So, that's how we're looking at it. I think it's some of those softer skills we're focusing on and going really heavy in digital capabilities, community building and building networks as partners. Those tend to be the skills, the harder skills that we're focusing on.

Francois: It's really interesting how you look at communities and I think, you know I wish more people were looking at it the way you do because you're absolutely right. I mean, the communities will form, period, whether you like it or not and in a lot of cases they are already congregating somewhere. You need to engage with them where they are as opposed to try to build your own and isolate people like we used to do in the old marketing framework.

Do you enable your people to engage already as it is or are you just thinking about how you're going to let them engage in some of those networks and communities?

Beth: Oh, no. We encourage them to engage directly and I think one, you just have to engage to understand how and then you turn around and use it yourself. So, I think we are encouraging our people to engage in those.

You made me think of another effort that we're pushing which I love. We sort of have a little skunkworks team and it's made up of marketers from across different businesses and we were calling them our rogue marketers and we've asked them to come up with a set of rogue marketing tactics that need to be part of everybody's toolkit.

And so, I'm excited to see what they come back with. I mean, it's some of the more traditional guerilla buzz marketing kinds of things, but just taking us to a whole new place in terms of tools and what we can do, how we can interact with customers.

And I'm really liking some of the early ideas coming back from this group. So, we have empowered a certain group of people to say, "You, especially, you have to go live in these worlds. You, especially, you have to go and do some of these things so you can translate it for the rest of the marketing function."

Francois: Are they publishing any of that information publicly by any chance? It would be so fascinating to see that.

Beth: Well, at this point we're a sponge, so we're just soaking up what everybody else is publishing, inviting big thinkers and crazy thinkers in. So, I'd say at this point we're taking more than we're giving in terms of publishing; we're in a big learning mode.

Francois: Very interesting. Now, do you select the people that become rogue marketers?

Beth: Yes, yes.

Francois: Oh, you do. Okay.

Beth: I'd say there are two ways to look at communities of marketers for us: there are kind of centers of excellence and then there are kind of centers of practice, if you will. The centers of excellence tend to be ones that we pick and we fund. The centers of practice increasingly are centers of interest.

I mean, so you might sort of give the tools to people, but you have maybe all the marketers who are really big on segmentation. There are going to be some that are centers of excellence and then there are just going to be others that have other parts of the segmentation process and they just want to share knowledge.

So, we specifically do have a certain core set of centers of excellence where we've tapped the people to be part of it, we've put extra resources against it, budget and tools. I believe we have about six. We're still formulating exactly the list, but it's about six centers of excellence that we've created. And then a lot of

different practice groups have shared interest.

Francois: Now, when you have those people that engage and you're encouraging them to engage in the networks and communities and all that, are those people that have to be approved to do that as well or do you encourage everybody to do it within certain guidelines?

Beth: Well, I guess we'd encourage everybody to do it, but we have, if you will, a board of advisors or a board of people that we're asking to be experts for the company. So, we're expecting them to dig deeper, to bring what they find and then kind of translate it for everyone else who's interested.

Francois: Now, in some of this new space, I'm sure you must have had your legal department that had big objections like we're seeing in a lot of other big companies. How do you work with your legal department to make sure that they're okay with liability issues, with, labor law issues and things like that as it relates to engaging in online communities, being on 24-by-7?

Beth: I mean, you just have got to bring them into the process. It's back to what we were talking about earlier in these development teams: you have to have different functions; it can't just be a group of marketers.

And so, I think generally where we, I mean, look, I'm sure marketing drives the legal people crazy and legal drives marketing crazy in any company, but we in marketing try to spend a lot of time saying, "Here's the vision of what we want to do and what we need. Legal, how can you help us get there?" So, the job isn't "No, you can't do it," but "How can you help us get there?" That tends to frame the conversation.

I will tell you I'd say, I don't think we're expert at it yet, but we've done a pretty good job. You know, for us it's also issues in terms of risk. Think of financial services where you have really deep, strong risk teams and they can be at odds with marketing.

Where we've had great success is putting marketers with a risk team. We have this rotational MBA grad program and especially in financial services and some of our technology businesses, we will have this rotation. One of the rotations is that they go to risk or they go engineer. And it does two things: it trains the marketer on some of the realities of what those people have to go through and then it changes those functions to say, "Oh, I get it. I get why they're asking this."

So, it's kind of like they train each other and that's been very successful for us especially in financial services and connecting marketing with risk. Some of it's just understanding why these are issues and that's gone a long way for us in alleviating some of those problems. We're not done with them by any means; we still have tension.

Francois: Yes, I can imagine. I don't think those will ever go away.

Beth: No, and as I said earlier, I actually if you consider how to harness them they're good for you. I think what I've learned through this process is try to bring detractors in, you know, people within your company now who you know are critics.

And that's just like a workout. It's like a really good challenge to have a debate and to understand where the detractor's coming from and to see how it might change your thinking. And I'd say the best success I've seen is when you bring a detractor into the process and they then feel like they're part of the effort and they come out the other end as your biggest supporter. And probably there's no bigger advocate that way, no bigger sales person because of where they came from.

Francois: I so agree with you. And I'm so amazed that there are so few companies that are willing to bring their detractors into the innovation process and into any marketing process. Because, you're right, if you can bring them in, even if you can't turn them over as

champions afterwards, the value of the information that they bring in is unbelievable.

Beth: Yes. I mean, I think from a marketing perspective one of the, if you will, softer skills is just this issue of diversity. I'm not talking about racial or global diversity, which is important, but this diversity of thought and diversity of experience. I mean, there's nothing worse than a bunch of marketers sitting around and solving the world's problems, but they haven't connected other points of view.

So, that's something I try to focus on and always try to make sure we have the right diversity of thought and experience on our teams, as well as in sort of the development of products or efforts.

Francois: Yes. Now, we're getting up to the end of the hour. I was wondering if there was any other interesting experiment that you wanted to call attention to that you're working on that you think might be particularly useful for other marketers?

Beth: Well, I think I'll just summarize some of what I said earlier. I think this idea of the rogue marketing would be one and the second would be much more focused on how do we use data to get more intimate with our customers and sort of get ahead of them. So, deliver information before they even realize they need it. Those are two. We've got some marketers that have just really gone gangbusters.

I'm really excited about some of the dynamic knowledge tools that we're developing. So, I'd say those are probably the two areas where I get most excited.

Francois: Very nice. Well, Beth, I wanted to thank you again for making the time to talk to me. I think that was a really interesting conversation and, again, I want to thank you for your time.

Beth: Well, Francois, thanks for the opportunity and hopefully you gleaned a few insights from this. I'm a big talker.

Francois: I definitely did. I mean, for me, these are fascinating conversations. I learn a lot and I hope the audience gets a lot out of it. But I know they do. I actually have spoken with some other CMOs that are sending all of their marketing team to listen to the CMO Conversations because they say, "You know, you get to hear all of those guys in one place as opposed to only seeing one of them at a conference every now and then."

So, I want to thank you again. I also wanted to thank the audience for taking the time to come to listen to this session and I wanted to remind everybody that we will be posting this podcast later today or tomorrow on the CMO 2.0 site which is www.cmotwo.com.

Thank you very much.

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